

# **Executive Summary**

## **of Investment Performance**

**Prepared for  
California Public Employees'  
Retirement System**

First Quarter 2006

## Capital Market Overview

- ◆ During the first quarter of 2006, improved employment numbers fueled optimism in investors as the US Stock Markets and Global Markets soared. However, the Federal Reserve Board continued its inflation-fighting operations, raising the Fed Funds overnight rate to 4.75% in two 25 basis-point increases as Ben Bernanke took leadership of the Fed and indicated he would be as diligent an inflation-fighter as outgoing Fed Chair, Alan Greenspan. The US stock market was in positive territory with the Dow Jones Wilshire 5000 Index and the S&P 500 Index returning 5.4% and 4.2%, respectively, as investors overlooked rising oil prices, and Iran's troublesome nuclear program. The Telecommunications Services Sector was the top performing sector with a return of 15.0%, while the Utilities Sector, hindered by high energy prices, was the worst-performer returning -0.1%. In the first quarter, growth was favored strongly over value among small-cap stocks (DJW Small Growth, 13.9%; DJW Small Value, 11.4%); however, among larger-cap stocks value was favored over growth (DJW Large Value, 5.0%; DJW Large Growth, 3.5%). From a size standpoint, small outperformed versus large stocks while micro cap stocks was the top performer (Wilshire Micro Cap, 13.9%; DJ Wilshire Small Cap 1750, 12.6%; DJ Wilshire Large Cap 750, 4.3%).
- ◆ Non-US equity markets continued to produce strong returns as the MSCI ACWI ex-US returned 9.8% in USD and 8.5% in local currency. European stocks were higher on mergers and acquisitions and outperformed versus the Pacific Region (MSCI Europe 10.8% in USD; MSCI Europe 8.7% in local currency; MSCI Pacific 6.7% in USD; MSCI Pacific 7.1% in local currency). The emerging markets continued to outperform the developed markets as the MSCI EMF Index returned 12.1% in USD and 9.7% in local currency versus the MSCI EAFE Index return of 9.4% in USD and 8.2% in local currency.
- ◆ The Federal Reserve continued its policy of raising the discount rate to keep inflation in check, and the US Treasury yield curve continued to flatten as short-term yields increased due to higher Fed Funds overnight rates, but longer-term yields were hampered by continued buying of longer-term bonds. The Lehman Aggregate Bond Index was down during the quarter, returning -0.6%. Among the Lehman sectors, the Mortgage sector outperformed the Credit sector, returning -0.1% and -1.2%, respectively, for the quarter. Not surprisingly in a rising interest-rate environment, short-term Treasuries (Lehman 1-3 Year Treasury, 0.4%) outperformed longer-term Treasuries (Lehman Long Term Treasury, -3.6%). High yield bonds outperformed versus investment-grade as the Citigroup High Yield Cash Pay Index reported a 2.8% return. The international bond markets beat the U.S. bond market as global bonds were aided by the depreciation of the US Dollar.
- ◆ The public real estate securities market, as represented by the Dow Jones Wilshire Real Estate Securities Index ("DJWRESI"), continued to be red-hot and posted a return of 15.4% for the quarter. The one year return is a robust 40.6%. The NCREIF Property Index reported a return of 3.6% for the quarter, reflecting the fact that the index is measured on an appraised basis.



## Summary of Index Returns

For Periods Ended March 31, 2006

	<u>Quarter</u>	<u>One Year</u>	<u>Three Years</u>	<u>Five Years</u>	<u>Ten Years</u>
<b>Domestic Equity</b>					
Standard & Poor's 500	4.20%	11.71%	17.21%	3.96%	8.95%
Dow Jones Wilshire 5000	5.44	14.72	19.67	5.95	9.13
Dow Jones Wilshire 4500	9.53	24.76	28.37	12.65	10.16
Dow Jones Wilshire Large Cap 750	4.30	13.04	18.05	4.74	9.01
Dow Jones Wilshire Small Cap 1750	12.64	25.92	31.02	14.70	11.57
Dow Jones Wilshire Micro Cap 2500	13.89	25.64	35.42	22.79	15.10
<b>Domestic Equity</b>					
Dow Jones Wilshire Large Value	4.97%	11.32%	20.16%	7.23%	10.20%
Dow Jones Wilshire Large Growth	3.52	14.97	16.05	2.35	7.39
Dow Jones Wilshire Mid Value	7.76	18.60	23.81	12.67	13.95
Dow Jones Wilshire Mid Growth	9.48	27.86	30.63	12.50	8.46
Dow Jones Wilshire Small Value	11.41	22.49	29.26	16.54	14.37
Dow Jones Wilshire Small Growth	13.94	29.62	32.74	12.55	8.02
<b>International Equity</b>					
MSCI All World ex U.S.	9.76%	28.12%	33.50%	11.77%	7.35%
MSCI EAFE	9.39	24.40	31.13	9.63	6.49
MSCI Europe	10.76	20.64	30.76	9.46	10.10
MSCI Pacific	6.70	33.04	31.73	9.92	1.55
MSCI EMF Index	12.12	47.98	46.65	23.57	7.56
<b>Domestic Fixed Income</b>					
Lehman Aggregate Bond	-0.64%	2.26%	2.92%	5.11%	6.29%
Lehman Credit	-1.16	1.83	3.71	5.97	6.61
Lehman Mortgage	-0.07	2.68	3.12	4.86	6.21
Lehman Treasury	-1.23	1.95	2.10	4.62	6.04
Citigroup High Yield Cash Pay	2.79	6.55	11.47	8.43	7.08
91-Day Treasury Bill	1.03	3.53	2.09	2.24	3.83
<b>International Fixed Income</b>					
Citigroup World Gov. Bond	-0.42%	-4.80%	4.49%	7.50%	5.15%
Citigroup Non-U.S. Gov. Bond	-0.18	-6.48	5.10	8.31	4.57
Citigroup Hedged Non-U.S. Gov.	-0.92	3.45	3.46	4.37	6.99
<b>Currency*</b>					
Euro vs. \$	2.59%	-6.89%	3.51%	6.48%	-.%
Yen vs. \$	0.03	-9.35	0.17	1.21	-0.99
Pound vs. \$	1.04	-8.21	3.15	4.06	1.28
<b>Real Estate</b>					
Dow Jones Wilshire REIT Index	15.79%	42.17%	33.14%	22.95%	16.75%
Dow Jones Wilshire RESI	15.38	40.61	33.94	22.69	16.29
NCREIF Property Index	3.62	20.19	15.07	11.67	12.23

\*Positive values indicate dollar depreciation.



## Total Fund Review Periods Ended 3/31/06

	<b>Market Value \$207.1 bil.</b>	<b><u>Qtr</u> 4.7%</b>	<b><u>1 Year</u> 16.1%</b>	<b><u>3 Year</u> 18.0%</b>	<b><u>5 Year</u> 8.1%</b>	<b><u>10 Year</u> 9.3%</b>
<b>TOTAL FUND</b>						
<i>Total Fund Policy Index</i> <sup>1</sup>		4.2%	13.9%	16.6%	7.5%	8.6%
<i>Actuarial Rate</i>		1.9%	7.8%	7.8%	8.0%	8.1%
<i>TUCS Public Fund Median</i>		4.3%	12.4%	15.0%	6.9%	8.6%
<i>Wilshire Large Fund Universe Median</i> <sup>2</sup>		4.8%	14.1%	16.6%	7.3%	8.8%
<b>TOTAL GLOBAL EQUITY EX-AIM</b> <sup>3</sup>	<b>134.2</b>	<b>6.7%</b>	<b>19.6%</b>	<b>24.2%</b>	<b>8.0%</b>	<b>9.5%</b>
<i>Equity Policy Index</i> <sup>4</sup>		6.7%	18.7%	23.5%	7.3%	8.6%
<i>TUCS Equity Median</i> <sup>5</sup>		5.4%	15.5%	21.8%	6.6%	10.3%
<b>TOTAL FIXED INCOME</b> <sup>6</sup>	<b>50.1</b>	<b>-1.1%</b>	<b>2.3%</b>	<b>5.8%</b>	<b>7.1%</b>	<b>7.2%</b>
<i>Fixed Income Policy Index</i> <sup>7</sup>		-1.5%	1.2%	4.1%	6.5%	6.7%
<i>TUCS Fixed Income Median</i>		-0.3%	2.7%	3.5%	5.5%	6.7%
<b>TOTAL REAL ESTATE</b> <sup>8</sup>	<b>11.6</b>	<b>10.2%</b>	<b>39.4%</b>	<b>24.7%</b>	<b>17.7%</b>	<b>15.0%</b>
<i>NCREIF Property Index Lagged</i>		5.4%	20.1%	14.4%	11.4%	12.1%
<i>TUCS Real Estate Median</i>		4.2%	20.5%	15.8%	12.0%	12.0%
<b>TOTAL AIM PROGRAM</b>	<b>10.5</b>	<b>5.2%</b>	<b>28.4%</b>	<b>15.8%</b>	<b>3.6%</b>	<b>-.-%</b>
<i>Policy Index</i> <sup>9</sup>		3.8%	19.6%	12.3%	2.2%	-.-%
<b>CASH EQUIVALENTS</b>	<b>0.7</b>	<b>1.1%</b>	<b>4.0%</b>	<b>2.3%</b>	<b>2.5%</b>	<b>4.2%</b>
<i>Custom STIF</i> <sup>10</sup>		1.1%	3.7%	2.1%	2.2%	3.9%

<sup>1</sup>The Total Fund Policy Index return equals the return for each asset class benchmark weighted at the current target asset allocations.

<sup>2</sup>These returns represent preliminary numbers.

<sup>3</sup>Includes domestic equity, international equity, corporate governance, and MDP ventures.

<sup>4</sup>The Equity Policy Index return equals the benchmark returns for the domestic equity and international equity segments weighted at policy allocation target percentages.

<sup>5</sup>Includes domestic and international equity.

<sup>6</sup>The Total Fixed Income Composite does not include LM Capital. LM Capital will be mapped to the domestic equity composite, effective 1Q2005, per CalPERS' direction.

<sup>7</sup>The Fixed Income Policy Index return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

<sup>8</sup>Real estate total returns are net of investment management fees and all expenses, including property level operations expenses netted from property income. This method differs from GASB 31, which requires all investment expenses be identified for inclusion in the System's general purpose financial statements.

<sup>9</sup>The AIM Policy Index consists of the Custom Young Fund Universe and is linked historically to its prior benchmark.

<sup>10</sup>The Custom STIF Policy Index is a custom index maintained by SSgA.



## Total Fund Review (continued)

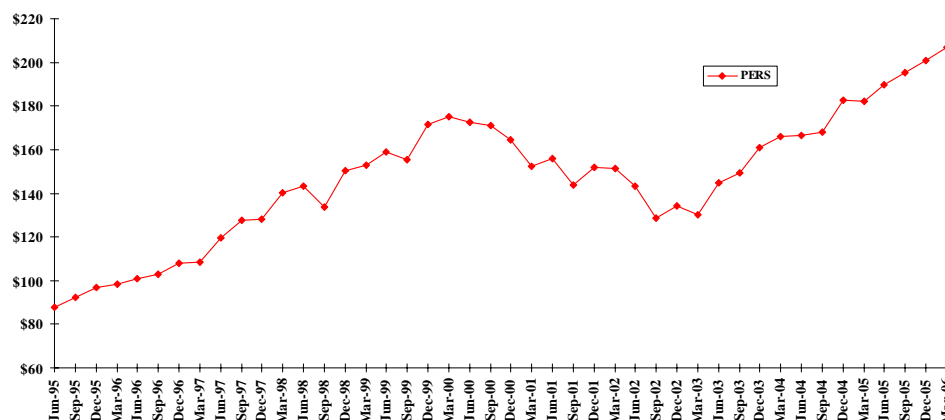
### Periods Ended 3/31/06

#### Total Fund Flow

<u>(\$Millions)</u>	<u>Beg. Mkt Value</u>	<u>Net Cash Flow</u>	<u>Invest. Mgmt Fees</u>	<u>Invest. Gain/Loss</u>	<u>End. Mkt Value</u>	<u>Total Return</u>
<b>1Q2006</b>	200,880	-339	-73	6,651	207,119	4.7%

#### Historical Growth of Assets

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>3Q05</u>	<u>4Q05</u>	<u>1Q06</u>
Market Value (\$bil)	128.3	150.5	171.7	164.6	151.8	134.1	161.1	182.9	195.5	200.9	207.1



#### Asset Allocation

##### Asset Allocation: Actual versus Target Weights

<u>Asset Class</u>	<u>Actual Asset Allocation</u>	<u>Target Asset Allocation</u>	<u>Difference</u>
Equities	64.7%	60.0%	+4.7%
Fixed Income	24.3	26.0	-1.7
Real Estate	5.6	8.0	-2.4
AIM	5.1	6.0	-0.9
Cash Equivalents	0.3	0.0	+0.3

##### CalPERS Historical Asset Allocation

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>1Q06</u>
% Equity	62	66	69	70	64	63	57	63	63	62	65
% AIM	-	-	-	-	-	-	5	5	5	5	5
% Fixed Income	31	28	26	24	29	27	28	24	24	25	24
% Real Estate	6	5	4	5	6	9	9	7	6	5	6
% Cash Equiv.	1	1	1	1	1	1	1	1	1	3	0



California Public Employees' Retirement System  
Total Fund Attribution  
Total Composite  
Quarter Ended 3/31/06

Composite	Allocation			Returns			Total Fund Return Contribution				
	Policy (%)	Actual* (%)	Difference (%)	Policy (%)	Actual (%)	Difference (%)	Actual Allocation (%)	Active Mgmt (%)	Activity (%)	Strategic Policy (%)	Weighted Return (%)
<b>Total Equity ex-AIM</b>	<b>60.0</b>	<b>62.7</b>	<b>2.7</b>	<b>6.7</b>	<b>6.7</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>4.0</b>	<b>4.2</b>
<b>U.S. Equity</b>	<b>38.8</b>	<b>38.4</b>	<b>-0.4</b>	<b>5.2</b>	<b>5.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.1</b>	<b>2.0</b>	<b>1.9</b>
Internal Passive (including DCF)	28.0	30.8	2.8	5.2	5.3	0.1	0.0	0.0	0.1	1.5	1.6
Internal Enhanced	2.0	1.1	-0.9	5.2	5.1	-0.1	0.0	0.0	0.0	0.1	0.1
External Enhanced	4.0	3.0	-1.0	5.0	5.2	0.2	0.0	0.0	0.0	0.2	0.2
Active	2.0	1.8	-0.2	5.2	4.9	-0.3	0.0	0.0	0.0	0.1	0.1
Corporate Governanace	2.0	0.8	-1.2	4.7	1.8	-2.9	0.0	0.0	0.0	0.1	0.0
MDP	0.8	0.9	0.1	6.9	6.3	-0.6	0.0	0.0	0.0	0.1	0.1
<b>Non-U.S. Equity</b>	<b>19.4</b>	<b>23.3</b>	<b>3.9</b>	<b>9.6</b>	<b>9.7</b>	<b>0.1</b>	<b>0.2</b>	<b>0.0</b>	<b>0.2</b>	<b>1.9</b>	<b>2.3</b>
Passive	10.5	14.0	3.6	9.6	8.9	-0.7	0.2	-0.1	0.2	1.0	1.2
Enhanced	1.7	1.4	-0.3	9.5	9.7	0.2	0.0	0.0	0.0	0.2	0.1
Active	3.9	4.1	0.3	9.5	10.5	1.0	0.0	0.0	0.0	0.4	0.4
Emerging Markets	1.9	2.3	0.4	10.3	10.5	0.2	0.0	0.0	0.0	0.2	0.2
Corporate Governanace	1.0	1.1	0.1	7.4	8.1	0.7	0.0	0.0	0.0	0.1	0.1
MDP	0.4	0.2	-0.2	9.5	9.8	0.3	0.0	0.0	0.0	0.0	0.0
Currency Overlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>RM ARS</b>	<b>1.8</b>	<b>1.0</b>	<b>-0.8</b>	<b>2.0</b>	<b>5.7</b>	<b>3.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>
<b>Total Fixed Income</b>	<b>26.0</b>	<b>24.5</b>	<b>-1.5</b>	<b>-1.5</b>	<b>-1.1</b>	<b>0.4</b>	<b>0.1</b>	<b>0.1</b>	<b>-0.1</b>	<b>-0.4</b>	<b>-0.3</b>
<b>U.S. Fixed Income</b>	<b>23.0</b>	<b>21.8</b>	<b>-1.2</b>	<b>-1.8</b>	<b>-1.2</b>	<b>0.6</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>-0.4</b>	<b>-0.3</b>
Internal U.S. Bonds	21.2	20.3	-0.9	-1.8	-1.4	0.4	0.1	0.1	0.0	-0.4	-0.3
Special Investments	1.0	0.8	-0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Opportunistic	0.8	0.7	-0.1	2.7	7.0	4.3	0.0	0.0	0.0	0.0	0.0
<b>Non-U.S. Fixed Income</b>	<b>3.0</b>	<b>2.7</b>	<b>-0.3</b>	<b>0.1</b>	<b>0.2</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Real Estate</b>	<b>8.0</b>	<b>4.6</b>	<b>-3.4</b>	<b>5.4</b>	<b>10.2</b>	<b>4.8</b>	<b>0.0</b>	<b>0.2</b>	<b>-0.1</b>	<b>0.4</b>	<b>0.5</b>
<b>AIM Program</b>	<b>6.0</b>	<b>5.0</b>	<b>-1.0</b>	<b>3.8</b>	<b>5.2</b>	<b>1.5</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.2</b>	<b>0.3</b>
<b>Cash Equivalents</b>	<b>0.0</b>	<b>3.1</b>	<b>3.1</b>	<b>1.1</b>	<b>1.1</b>	<b>0.1</b>	<b>-0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Fund</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>	<b>4.2</b>	<b>4.7</b>	<b>0.5</b>	<b>0.0</b>	<b>0.5</b>	<b>0.0</b>	<b>4.2</b>	<b>4.7</b>

\* Beginning of Period.



## Total Fund Review (continued)

- ◆ The California Public Employees' Retirement System ("CalPERS, the System") generated a total fund return of +4.7%, for the quarter ended March 31, 2006. CalPERS' return can be attributed as follows:

+4.2%	Strategic Policy Allocation
0.0%	Actual/Tactical Asset Allocation
0.0%	Activity/Timing
<u>+0.5%</u>	Active Management
<b>+4.7%</b>	<b>Total Return</b>

- ◆ The total fund attribution table on the previous page displays the return contribution of each asset class to the total fund. This table will allow the Board to see if tactical allocation and active management within asset classes helped or hurt performance during the quarter.
  - Strategic Policy: The contribution to total return from each asset class, calculated as the percentage allocated to each asset class multiplied by the benchmark for that asset class.
  - Activity: The Activity contribution column is the difference between the "buy and hold" portfolio and the weighted return and would be caused by timing and size of cash flows (transfers, deposits, and withdrawals).
  - Actual Allocation: The return contribution during the quarter due to differences in the actual allocation from the policy allocation (i.e. the actual allocation to total equity was higher than the policy allocation). A positive number would indicate an overweight benefited performance and vice versa.
  - Active Management: The return contribution from active management. The number would be positive if the asset class outperformed the designated policy index and vice versa (i.e. the US fixed income segment outperformed its custom benchmark during the quarter and contributed positively to active management).
  - Actual Return: The actual return of the asset classes if allocations to them were static during the quarter. These returns will not match exactly with the actual segment returns since asset class allocations change during the quarter due to market movement, cash flows, etc.
- ◆ The Total Fund composite outperformed its strategic policy mainly due to its active management in the Real Estate, AIM, and RM Absolute Return segments. The System beat the weighted policy index return of 4.3% for the quarter and for the 1-year, 3-year 5-year, and 10-year periods, and it has also outpaced its actuarial rate of return over the one-year, three-year, and ten-year periods.



## Total Fund Review (continued)

### *Helped Performance:*

- ◆ **U.S. Equity Exposure:** The System's U.S. equity asset class produced a positive return for the quarter and outperformed versus the total fund policy of 4.2%. U.S. equities have outperformed the total fund policy for the one year and three year time periods.
- ◆ **International Equity Exposure:** The System's international equity program generated a return of 9.7% for the quarter, outpacing the FTSE All World ex-US Index's 9.6% as well as the total fund policy's 4.2%. Continued economic recovery in Asia, especially Japan, and emerging markets has contributed to the stellar performance of the segment.
- ◆ **Real Estate:** The System's real estate segment, with a return of 10.2%, easily exceeded the total fund policy's return of 4.2%. The composite benefited from its exposure to non-core real estate investments, which helped boost performance. The total fund composite continues to benefit from its exposure to real estate over all time periods.
- ◆ **AIM Program:** The alternative investment program continues to contribute favorably to the total fund composite return over the quarter and for all longer periods.
- ◆ **Corporate Governance:** The System's corporate governance program lagged its custom benchmark but beat the total fund policy, as some of the program's managers generated respectable returns over the quarter. The corporate governance segment continues to produce favorable contributions to the total fund performance since its inception.
- ◆ **RM ARS Program:** The RM ARS Program outperformed the total fund policy and its custom benchmark, adding value to the overall fund's performance. It also outperformed the US equity segment, which was its funding source.

### *Impeded Performance:*

- ◆ **U.S. Bond Exposure:** Bond markets saw negative returns as yields rose during the quarter. The Lehman Long Liability Index returned -1.8% for the quarter. CalPERS' domestic fixed income asset class lagged the total fund policy but beat its policy index. The domestic bond portfolio hurt CalPERS' total fund performance; it was the only asset class that produced a loss during the quarter.
- ◆ **International Fixed Income:** The international bond market produced a small gain, but lagged the total fund policy.





## Total Equity Review

Periods Ended 3/31/06

### Equity Allocation

#### Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
US Equities	40.2	40.0%	+0.2
Non US Equities	24.5	20.0	+4.5

### Equity Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
<b>Total Global Equity ex-AIM<sup>11*</sup></b>	<b>134.2</b>	<b>6.7%</b>	<b>19.6%</b>	<b>24.2%</b>	<b>8.0%</b>	<b>9.5%</b>
<i>Equity Policy Index<sup>12</sup></i>		6.7%	18.7%	23.5%	7.3%	8.6%
<i>Value Added</i>		0.0%	0.9%	0.7%	0.7%	0.9%
<b>US Equity Composite</b>	<b>80.9</b>	<b>5.2%</b>	<b>14.5%</b>	<b>19.0%</b>	<b>5.6%</b>	<b>9.3%</b>
<i>PERS Wilshire 2500 Index</i>		5.2%	14.3%	18.9%	5.4%	8.9%
<i>Value Added</i>		0.0%	0.2%	0.1%	0.2%	0.4%
<b>Non-US Equity Composite</b>	<b>46.4</b>	<b>9.7%</b>	<b>29.3%</b>	<b>32.0%</b>	<b>10.0%</b>	<b>8.0%</b>
<i>PERS SSgA Custom Index<sup>13</sup></i>		9.6%	27.5%	33.0%	11.3%	6.3%
<i>Value Added</i>		0.1%	1.8%	-1.0%	-1.3%	1.7%
<b>RM ARS Program</b>	<b>2.3</b>	<b>5.7%</b>	<b>14.0%</b>	<b>12.1%</b>	<b>-.-%</b>	<b>-.-%</b>
<i>Policy Index<sup>14</sup></i>		2.0%	8.0%	12.0%	-.-%	-.-%
<i>Value Added</i>		3.7%	6.0%	0.1%	-.-%	-.-%
<b>Corporate Governance</b>	<b>4.3</b>	<b>5.2%</b>	<b>24.9%</b>	<b>35.7%</b>	<b>17.0%</b>	<b>-.-%</b>
<i>Policy Index<sup>15</sup></i>		6.2%	24.6%	27.0%	9.4%	-.-%
<i>Value Added</i>		-1.0%	0.3%	8.7%	7.6%	-.-%

<sup>11</sup> Includes domestic equity, international equity, corporate governance, and the RM ARS program.

<sup>12</sup> The Equity Policy Index return equals the benchmark returns for the domestic equity and international equity segments weighted at policy allocation target percentages.

<sup>13</sup> The PERS SSgA Custom Index currently represents the FTSE All World ex US Index. This Index is linked historically to its prior benchmarks.

<sup>14</sup> The RM ARS Policy consists of the Merrill Lynch 1-Year Treasury Note +5% and is linked historically to its prior benchmark.

<sup>15</sup> The Corporate Governance Index return equals the return for each manager's benchmark weighted at the current target asset allocation.

\* Composites do not add up due to the following accounts being included in the Total Global Equity Ex- Aim and not in the underlying composites: LM Capital, Internal Domestic and International Equity Transition accounts, and SSgA International Environmental. In addition, there may be rounding differences.



## Total Equity Review (continued)

### Comments Regarding Recent Equity Segment Performance

#### *Helped Performance:*

- ◆ **Internal International Equity Index:** The System's internally managed international equity index outperformed the equity policy index over the quarter, adding value to the overall equity composite, and met its specific portfolio objective.
- ◆ **International Equity Exposure:** The System's international equity managers added value to the overall performance for the quarter. The segment outperformed the total equity policy this quarter and has added value since inception.
- ◆ **Emerging Markets Exposure:** The System's emerging market managers continue to produce strong performance. The emerging markets segment outpaced the total equity policy index over the quarter and for all longer periods.
- ◆ **Currency Overlay:** The System's currency overlay program added significant value to the overall equities return over the quarter, one-year, and three-year time periods, hedging out currency risks in the face of a strengthening Dollar over the past year.
- ◆ **International Equity MDP:** The international equity MDP program outperformed the total equity policy this quarter, and has added value over longer periods.
- ◆ **Domestic Internal Micro-Cap Exposure:** The internal micro-cap portfolio outperformed the equity policy index over the quarter and added value to the overall equity composite. The portfolio also has outperformed the equity policy over the one-year period.

#### *Impeded Performance:*

- ◆ **Internal PERS 2500:** The System's internal PERS 2500 index fund, which is a domestic equity index fund, produced a positive return but lagged relative to the equity policy index, but domestic equity underperformed non-US equity. However, the fund's performance matched that of its custom benchmark which is consistent with its objective.
- ◆ **Corporate Governance:** The corporate governance program lagged the total equity policy index, but equaled the domestic equity policy index for the quarter.
- ◆ **Domestic Equity MDP:** The System's domestic MDP program lagged the total equity policy but beat the domestic equity policy index this quarter. The program has outperformed versus the domestic equity policy since the inception.
- ◆ **Dynamic Completion Fund (DCF):** The DCF portfolio had a positive return but lagged the equity policy return for the quarter and has underperformed over the one-year, three-year, and five-year periods.
- ◆ **RM ARS Program:** The System's RM ARS program produced positive a return for the quarter but trailed the equity policy index. Though, it has beaten its benchmark for all time periods and contributed to the total fund return exceeding its policy index.
- ◆ **Environmental Domestic Equity:** The environmental domestic equity lagged the total equity policy and the domestic equity return for the quarter.



## Total Equity Review - U.S. Equity Manager Performance\*

	<b>Market Value</b>	<b>Qtr</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>Incept.</b>	<b>Date</b>
<b>US Equity Composite*</b>	<b>80.9</b>	<b>5.2%</b>	<b>14.5%</b>	<b>19.0%</b>	<b>5.6%</b>	<b>13.0%</b>	<b>12/79</b>
PERS Wilshire 2500 Index		5.2%	14.3%	18.9%	5.4%		
Value Added		0.0%	0.2%	0.1%	0.2%		
<b>Total Internal Equity*</b>	<b>68.0</b>	<b>5.2%</b>	<b>14.6%</b>	<b>18.7%</b>	<b>5.5%</b>	<b>11.5%</b>	<b>6/88</b>
Internal PERS 2500	57.3	5.2%	14.5%	19.0%	5.6%	10.7%	12/91
PERS Wilshire 2500		5.2%	14.3%	18.9%	5.4%	10.5%	
Tracking Error		0.0%	0.2%	0.1%	0.2%	0.2%	
Dynamic Completion Fund (DCF)	6.5	4.2%	13.0%	14.8%	3.7%	5.1%	9/98
Custom Benchmark		4.2%	13.3%	14.8%	3.4%	4.4%	
Tracking Error		0.0%	-0.3%	0.0%	0.3%	0.7%	
Domestic Enhanced Index Strategy	3.3	5.1%	17.5%	22.6%	7.1%	7.1%	3/01
PERS Wilshire 2500		5.2%	14.3%	18.9%	5.4%	5.4%	
Value Added		-0.1%	3.2%	3.7%	1.7%	1.7%	
Internal Microcap	0.8	15.1%	28.8%	-.%	-.%	20.3%	9/03
Custom Benchmark		15.7%	29.5%	-.%	-.%	22.5%	
Tracking Error		-0.6%	-0.7%	-.%	-.%	-2.2%	
<b>Total External Domestic Equity</b>	<b>12.6</b>	<b>5.3%</b>	<b>14.1%</b>	<b>20.4%</b>	<b>6.4%</b>	<b>11.2%</b>	<b>6/87</b>
Total Active External Mainstream	3.8	5.0%	13.9%	19.6%	5.2%	4.8%	6/98
Total Domestic Ext. Enhanced	6.9	5.2%	13.5%	-.%	-.%	14.2%	9/04
Custom Benchmark		5.0%	13.2%	-.%	-.%	13.7%	
Value Added		0.2%	0.3%	-.%	-.%	0.5%	
Total Domestic Equity MDP	1.9	6.3%	16.5%	21.1%	8.2%	4.2%	12/00
Total Domestic Equity MDP Ventures	0.0	0.0%	82.6%	43.2%	21.7%	21.7%	3/01
<b>Environmental Domestic Equity</b>	<b>0.3</b>	<b>2.7%</b>	<b>10.9%</b>	<b>-.%</b>	<b>-.%</b>	<b>10.9%</b>	<b>3/05</b>
Custom Benchmark		4.5%	13.2%	-.%	-.%	13.2%	
Value Added		-1.8%	-2.3%	-.%	-.%	-2.3%	
<b>Domestic Equity Active Manager Program <sup>16</sup></b>							
Active External Managers + Enh + DCF	17.2	4.7%	13.3%	17.7%	4.5%	4.3%	6/98
PERS Wilshire 2500		5.2%	14.3%	18.9%	5.4%	4.0%	
Value Added of Active Mgr Program		-0.5%	-1.0%	-1.2%	-0.9%	0.3%	

\* Composites may not add up exactly due to rounding.

<sup>16</sup> This composite combines components listed above to present a comparison of the total domestic equity active manager program versus its benchmark.



## Total Equity Review - International Equity Manager Performance

	<u>Market</u> <u>Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
<b>Non-US Equity Composite*</b>	<b>46.4</b>	<b>9.7%</b>	<b>29.3%</b>	<b>32.0%</b>	<b>10.0%</b>	<b>7.4%</b>	<b>6/89</b>
PERS SSgA Custom Index <sup>17</sup>		9.6%	27.5%	33.0%	11.3%	6.5%	
Value Added		0.1%	1.8%	-1.0%	-1.3%	0.9%	
<b>Int'l Active Equity + MDP</b>	<b>13.4</b>	<b>10.4%</b>	<b>28.1%</b>	<b>31.7%</b>	<b>10.0%</b>	<b>7.1%</b>	<b>3/89</b>
Custom Benchmark		9.6%	27.5%	33.0%	11.3%	6.7%	
Value Added		0.8%	0.6%	-1.3%	-1.3%	0.4%	
<b>Int'l Emerging Markets</b>	<b>4.9</b>	<b>10.5%</b>	<b>46.2%</b>	<b>50.1%</b>	<b>-.-%</b>	<b>42.3%</b>	<b>9/02</b>
CalPERS FTSE All Emerging Index		10.3%	46.4%	45.8%	-.-%	38.9%	
Value Added		0.2%	-0.2%	4.3%	-.-%	3.4%	
<b>Total Int'l MDP**</b>	<b>0.4</b>	<b>9.8%</b>	<b>21.3%</b>	<b>27.6%</b>	<b>8.3%</b>	<b>2.8%</b>	<b>6/00</b>
<b>Internal International Equity Index</b>	<b>14.3</b>	<b>9.6%</b>	<b>-.-%</b>	<b>-.-%</b>	<b>-.-%</b>	<b>26.1%</b>	<b>6/05</b>
Custom Benchmark		9.6%	-.-%	-.-%	-.-%	26.0%	
Tracking Error		0.0%	-.-%	-.-%	-.-%	0.1%	
<b>State Street Passive (Hedged)</b>	<b>13.9</b>	<b>8.9%</b>	<b>28.3%</b>	<b>30.5%</b>	<b>9.1%</b>	<b>9.1%</b>	<b>6/92</b>
State Street Passive (Unhedged)		9.5%	25.2%	31.6%	10.6%	6.3%	6/89
Custom Benchmark		9.6%	25.1%	31.6%	10.4%	7.2%	
Tracking Error		-0.1%	0.1%	0.0%	0.2%	-0.9%	
<b>Currency Overlay <sup>18</sup></b>							
Pareto Partners	5.4	8.7%	33.2%	28.9%	7.1%	9.7%	6/92
Custom Benchmark		8.8%	11.9%	18.1%	0.0%	7.6%	
Value Added		-0.1%	21.3%	10.8%	7.1%	2.1%	
State Street London	2.3	8.3%	32.8%	27.4%	6.9%	8.7%	9/96
Custom Benchmark		8.8%	11.9%	18.1%	0.0%	5.9%	
Value Added		-0.5%	20.9%	9.3%	6.9%	2.8%	
Internal Currency Overlay	3.1	9.0%	36.2%	28.1%	-.-%	10.1%	9/01
Custom Benchmark		8.8%	11.9%	18.1%	-.-%	4.0%	
Value Added		0.2%	24.3%	10.0%	-.-%	6.1%	

<sup>17</sup> The PERS SSgA Custom Index currently represents the FTSE All World ex US Index. This Index is linked historically to its prior benchmarks.

<sup>18</sup> The currency overlay portfolios' values are included in the State Street (Hedged) portfolio value.

\* Composite may not add up exactly due to rounding.

\*\* Total MDP market value is also included in the International Active Equity + MDP Composite.

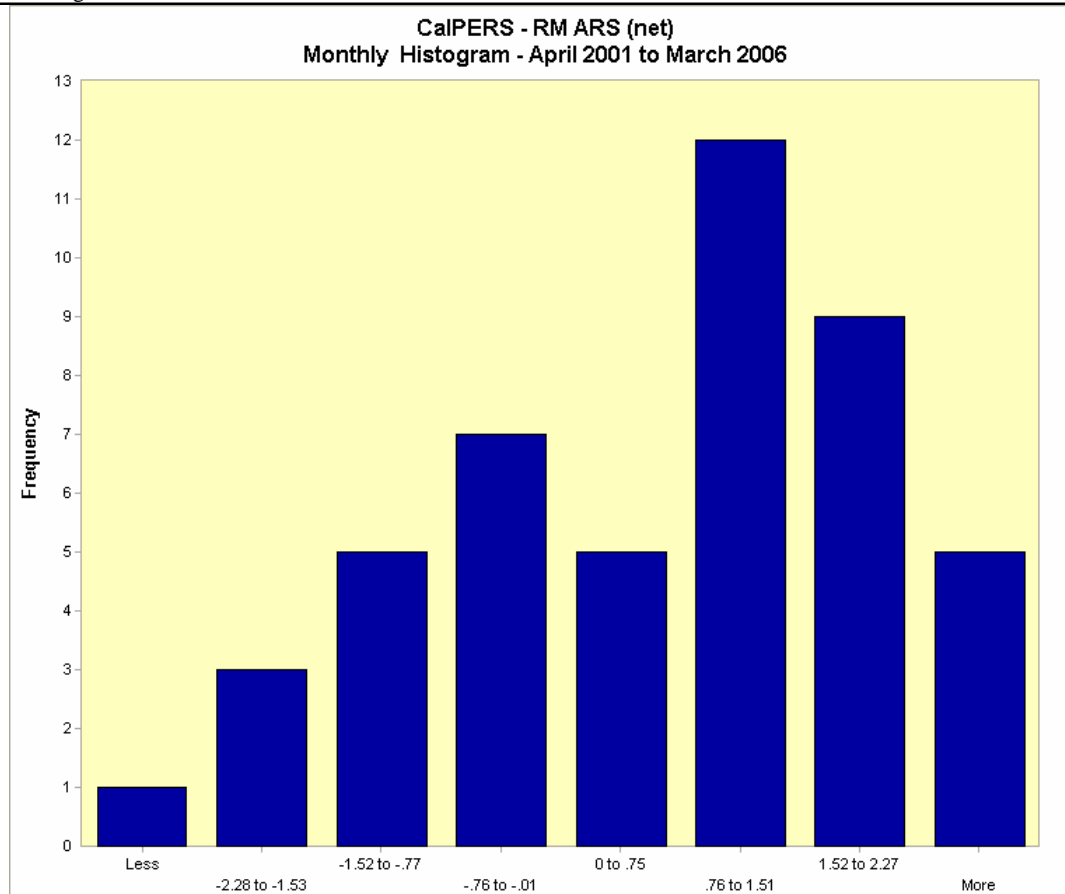


### RM ARS Program Review Period Ended 3/31/06

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>
<b>Total RM ARS Program*</b>	<b>2.3</b>	<b>5.7%</b>	<b>14.0%</b>	<b>12.1%</b>	<b>-.-%</b>
<i>Policy Index</i> <sup>19</sup>		2.0%	8.0%	12.0%	-.-%
<i>Value Added</i>		3.7%	6.0%	0.1%	-.-%
HFRI Fund of Funds Index		4.9%	11.9%	9.9%	-.-%

### RM ARS Program Characteristics Period Ended 3/31/06

<u>Since Inception Rolling Correlations vs. Index</u>							
<u>Characteristics as of 3/31/06</u>	<u>Percentage of positive Months</u>	<u>Beta vs. S&amp;P 500</u>	<u>No. of Strategies</u>	<u>DJ W5000</u> <sup>20</sup>	<u>PERS 2500</u> <sup>20</sup>	<u>Custom Benchmark</u> <sup>20</sup>	<u>FTSE AW X US</u> <sup>20</sup>
RM ARS Program	66%	0.28	8	0.5	0.49	-0.07	0.55



<sup>19</sup> The RM ARS Policy consists of the Merrill Lynch 1-Year Treasury Note + 5% and is linked historically to its prior benchmark.

<sup>20</sup> DJ W5000 = Dow Jones Wilshire 5000 Index, PERS 2500 = CalPERS 2500 Index, Custom Benchmark = Citigroup LPF Index, FTSE AW X US = FTSE All World, Ex-United States Index.

\* Composite may not add up exactly due to rounding.



## RM ARS Program Review

- ◆ **Beta vs. S&P 500:** This measures the amount of stock market risk in the portfolio. A beta of 1.0 would indicate that the portfolio's performance should closely track the stock market, while a beta higher than 1.0 implies greater-than-market risk and possibly leverage. The portfolio's beta is 0.28 which implies a weak relationship to stock market return, which is appropriate for this program.
- ◆ **Correlation vs. various indices:** We have calculated the historical correlation between the RM ARS and CalPERS' other main asset classes. Over a market cycle, the RM ARS should function independently of the other asset classes and have a low correlation to directional movements in all other asset classes. Since inception, the performance of both the RM ARS and the stock market has been generally positive, resulting in a moderately high correlation.
- ◆ **Histogram:** The RM ARS is designed to generate small amounts of return on a consistent basis. This chart shows the frequency of monthly performance results. A significant number of outlying monthly performance returns would indicate insufficient risk controls. At this time, we believe that the distribution of monthly returns is as expected, given the youthfulness of the program, and has significantly more positive months than negative months, which is favorable.

## Corporate Governance Review

	<u>Market</u> <u>Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
<b>Total Corporate Governance</b>	<b>4.3</b>	<b>5.2%</b>	<b>24.9%</b>	<b>35.7%</b>	<b>17.0%</b>	<b>17.2%</b>	<b>12/98</b>
<i>Policy Index</i>		6.2%	24.6%	27.0%	9.4%	6.3%	
<i>Value Added</i>		-1.0%	0.3%	8.7%	7.6%	10.9%	
<b>Total Domestic Corporate Governance</b>	<b>1.9</b>	<b>1.9%</b>	<b>14.8%</b>	<b>27.3%</b>	<b>16.0%</b>	<b>21.9%</b>	<b>12/98</b>
<b>Total Int'l Corporate Governance</b>	<b>2.4</b>	<b>8.1%</b>	<b>33.0%</b>	<b>43.6%</b>	<b>17.4%</b>	<b>12.6%</b>	<b>12/98</b>

- ◆ The System's total corporate governance program trailed its objective over the quarter and the total equity policy, but equaled the domestic equity policy. The program benefited from its international exposure, especially in Europe, where the managers from Hermes Europe and Knight Vinke produced favorable returns that helped overall performance.



## Total Fixed Income Review

### Periods Ended 3/31/06

#### Fixed Income Allocation

#### Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
US Fixed Income	21.4%	23.0%	-1.6%
Non US Fixed Income	2.9	3.0	-0.1

#### Fixed Income Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
<b>Total Fixed Income</b>	<b>50.1</b>	<b>-1.1%</b>	<b>2.3%</b>	<b>5.8%</b>	<b>7.1%</b>	<b>7.2%</b>
Fixed Income Policy Index <sup>21</sup>		-1.5%	1.2%	4.1%	6.5%	6.7%
Value Added		0.4%	1.1%	1.7%	0.6%	0.5%
<b>U.S. Fixed Income</b>	<b>44.0</b>	<b>-1.2%</b>	<b>3.3%</b>	<b>5.6%</b>	<b>6.7%</b>	<b>7.5%</b>
Policy Index <sup>22</sup>		-1.8%	2.2%	3.9%	6.2%	7.1%
Value Added		0.6%	1.1%	1.7%	0.5%	0.4%
<b>Non-U.S. Fixed Income</b>	<b>6.1</b>	<b>0.2%</b>	<b>-5.4%</b>	<b>6.0%</b>	<b>8.5%</b>	<b>5.1%</b>
Policy Index <sup>23</sup>		0.1%	-5.9%	5.3%	8.4%	4.6%
Value Added		0.1%	0.5%	0.7%	0.1%	0.5%

#### Comments Regarding Recent Fixed Income Segment Performance

##### Helped Performance:

- ◆ **International Fixed Income:** The System's external international bond segment, which is non-dollar denominated, outperformed versus the total fixed income policy for the quarter due to strengthening of non-US currencies. The segment has outperformed its objective over all longer periods.
- ◆ **External High Yield Bonds:** The external high yield bond managers beat the fixed income policy index during the quarter. The segment has added value over the long term, led by the bank loan segment.
- ◆ **Internal High Yield Bonds:** CalPERS' internal high yield portfolio significantly outperformed the fixed income policy index over the quarter, through rewarded credit selection. The portfolio has also outperformed over all longer time periods.
- ◆ **Special Investments:** The special investments beat the fixed income policy index over the quarter and the one-year periods but still trails in the 3-year, 5-year and 10-year periods.

<sup>21</sup> The Fixed Income Policy Index return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

<sup>22</sup> The Domestic Fixed Income Policy Index consists of the Lehman Long Liability Index and is linked historically to its prior benchmark.

<sup>23</sup> The Non-US Fixed Income Policy Index consists of the Lehman International Fixed Income and is linked historically to its prior benchmark.



- ◆ **Mortgage Bonds:** CalPERS' mortgage portfolio performed well in the overall fixed income segment, beating the fixed income policy index. The portfolio has beaten the overall fixed income segment in the short-term.

**Impeded Performance:**

- ◆ **Treasury Bonds:** Treasury bonds underperformed the fixed income policy index for the quarter, as the Fed raised interest rates. The portfolio also trailed the fixed income policy over the 3 and 5-year periods.
- ◆ **Internal Sovereign Bonds:** The System's Sovereign portfolio, which holds non-US government bonds that are U.S. Dollar denominated, underperformed the total fixed income policy over the quarter, but has outperformed over longer time periods.

**Fixed Income Performance**

	<b>Market Value</b>	<b>Qtr</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>10 Year</b>
<b>Total Fixed Income*</b>	<b>50.1</b>	<b>-1.1%</b>	<b>2.3%</b>	<b>5.8%</b>	<b>7.1%</b>	<b>7.2%</b>
<i>Fixed Income Policy Index</i> <sup>24</sup>		-1.5%	1.2%	4.1%	6.5%	6.7%
<i>Value Added</i>		0.4%	1.1%	1.7%	0.6%	0.5%
<b>Total Internal Bonds</b>	<b>41.9</b>	<b>-1.5%</b>	<b>2.8%</b>	<b>5.1%</b>	<b>6.5%</b>	<b>7.5%</b>
Treasury Bonds	8.5	-2.7%	2.0%	3.2%	6.2%	7.6%
Mortgage Bonds	12.8	0.0%	3.1%	3.6%	5.2%	6.7%
Long Duration	2.2	-0.6%	-.%	-.%	-.%	-.%
Corporate Bonds	10.4	-1.4%	1.3%	5.1%	8.2%	-.%
U.S. Government	4.9	-2.6%	0.4%	1.6%	5.1%	-.%
Sovereign Bonds**	0.9	-2.7%	4.3%	5.8%	9.1%	-.%
Duration/SEC Allocation	3.1	-2.7%	-.%	-.%	-.%	-.%
<i>Custom Benchmark***</i>		-1.8%	2.2%	3.9%	6.2%	7.1%
<b>Opportunistic</b> <sup>25</sup>	<b>2.2</b>	<b>7.0%</b>	<b>23.3%</b>	<b>26.0%</b>	<b>16.3%</b>	<b>-.%</b>
Internal High Yield Bonds	0.9	8.1%	27.6%	27.2%	19.1%	-.%
External High Yield	1.3	3.4%	8.7%	14.0%	-.%	-.%
<i>Citigroup High Yield Cash Pay</i>		2.8%	6.6%	11.5%	-.%	-.%
<b>Special Investments</b>	<b>0.8</b>	<b>0.2%</b>	<b>3.5%</b>	<b>3.8%</b>	<b>5.7%</b>	<b>6.0%</b>
<b>External International Fixed Income</b>	<b>6.1</b>	<b>0.2%</b>	<b>-5.4%</b>	<b>6.0%</b>	<b>8.5%</b>	<b>5.1%</b>
<i>Custom Benchmark</i> <sup>26</sup>		0.1%	-5.9%	5.3%	8.4%	4.6%
<i>Value Added</i>		0.1%	0.5%	0.7%	0.1%	0.5%

<sup>24</sup> The Fixed Income Policy Index return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

<sup>25</sup> Opportunistic includes internal and external high yield.

<sup>26</sup> The custom benchmark consists of the Lehman International Fixed Income and is linked historically to its prior benchmark.

\* The total fixed income market value will not add up to the sum of the composites. Internal High Yield's market value is included in both the Total Internal Bonds and the Opportunistic Market Values.

\*\* The Internal Sovereign Bond market value is also included in the Internal Treasury Bond market value.

\*\*\* The custom benchmark consists of the Lehman Long Liability Index. Prior of 3Q 2004 the benchmark was Citigroup LPF.





## Total Real Estate Review Period Ended 3/31/06

### Real Estate Allocation

#### Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Real Estate	5.6%	8.0%	-2.4%

### Real Estate Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
<b>Total Real Estate</b> <sup>27</sup>	<b>11.6</b>	<b>10.2%</b>	<b>39.4%</b>	<b>24.7%</b>	<b>17.7%</b>	<b>15.0%</b>
<i>NCREIF Property Index Lagged</i> <sup>28</sup>		5.4%	20.1%	14.4%	11.4%	12.1%
<i>TUCS Real Estate Median</i>		4.2%	20.5%	15.8%	12.0%	12.0%
<b>Total Core Real Estate</b>	<b>5.7</b>	<b>8.6%</b>	<b>39.2%</b>	<b>23.4%</b>	<b>17.5%</b>	<b>15.4%</b>
Core Real Estate Private	5.5	8.4%	39.1%	23.1%	17.2%	15.0%
Core Real Estate Securities	0.1	15.5%	42.1%	33.7%	23.7%	-.%
Other Core Funds	0.2	-.%	-.%	-.%	-.%	-.%
<b>Total Non-Core Real Estate</b>	<b>6.0</b>	<b>11.9%</b>	<b>30.3%</b>	<b>25.5%</b>	<b>15.7%</b>	<b>13.6%</b>

- ◆ CalPERS' real estate composite produced a return of 10.2% during the quarter, significantly outperforming the lagged NCREIF Property Index return of 5.4% and the TUCS real estate median return of 4.2%. Over the long term the composite added value and outperform both the NCREIF and the TUCS real estate median by a wide margin.

<sup>27</sup> Real estate total returns are net of investment management fees and all expenses, including property level operations expenses netted from property income. This method differs from GASB 31, which requires all investment expenses be identified for inclusion in the System's general purpose financial statements.

<sup>28</sup> The performance of CalPERS' real estate segment is lagged one quarter. Therefore, the NCREIF Property Index is lagged one quarter as well to provide a better comparison.



## AIM Program Review Period Ended 3/31/06

### AIM Program Allocation

#### Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
AIM	5.1%	6.0%	-0.9%

### AIM Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
<b>AIM Program</b>	<b>10.5</b>	<b>5.2%</b>	<b>28.4%</b>	<b>15.8%</b>	<b>3.6%</b>	<b>-.-%</b>
<i>Policy Index</i> <sup>29</sup>		3.8%	19.6%	12.3%	2.2%	-.-%
<i>Value Added</i>		1.4%	8.8%	3.5%	1.4%	-.-%
<i>Long-Term Policy</i>						13.9%
AIM Partnership Investments	10.4	5.1%	28.6%	15.7%	3.2%	12.1%
AIM Distribution Stock	0.2	12.5%	8.3%	23.7%	4.7%	-.-%

- ◆ The AIM program beat its objective over the quarter and has outperformed for all longer periods.

<sup>29</sup> The AIM Policy Index consists of the Custom Young Fund and is linked historically to its prior benchmark.



## APPENDIX



## External Manager Performance Review Domestic Equity - Core

Active External Mainstream Mgrs	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
	3.8	5.0%	13.9%	19.6%	5.2%	4.8%	6/98
<b>Domestic External Core</b>							
Smith Asset Large Cap (MDP)	<b>0.2</b>	5.6%	21.1%	-.%	-.%	14.9%	12/03
<i>Custom Benchmark</i>		4.2%	11.7%	-.%	-.%	8.9%	
<i>Value Added</i>		1.4%	9.4%	-.%	-.%	6.0%	
<i>Performance Objective</i>		4.7%	13.7%	-.%	-.%	10.9%	
<i>Value Added</i>		0.9%	7.4%	-.%	-.%	4.0%	
Golden Capital - Large Core (MDP)	<b>0.1</b>	4.7%	12.7%	18.3%	6.0%	3.2%	12/00
<i>Custom Benchmark</i>		4.2%	11.7%	17.2%	4.0%	1.3%	
<i>Value Added</i>		0.5%	1.0%	1.1%	2.0%	1.9%	
<i>Performance Objective</i>		4.5%	12.7%	18.2%	5.0%	2.3%	
<i>Value Added</i>		0.2%	0.0%	0.1%	1.0%	0.9%	
Golden Capital - Small Core (MDP)	<b>0.1</b>	12.7%	23.2%	28.6%	15.7%	13.1%	12/00
<i>Custom Benchmark</i>		12.8%	24.1%	30.0%	15.0%	12.8%	
<i>Value Added</i>		-0.1%	-0.9%	-1.4%	0.7%	0.3%	
<i>Performance Objective</i>		13.1%	25.1%	31.0%	16.0%	13.8%	
<i>Value Added</i>		-0.4%	-1.9%	-2.4%	-0.3%	-0.7%	



## External Manager Performance Review (continued)

### Domestic Equity – Growth

Active External Mgrs	Market Value 3.8	Qtr 5.0%	1 Year 13.9%	3 Year 19.6%	5 Year 5.2%	Incept. 4.8%	Date 6/98
<b>Domestic External Growth</b>							
Smith Graham (MDP)	<b>0.2</b>	2.5%	13.2%	14.0%	-.%	12.3%	9/02
<i>Custom Benchmark</i>		3.1%	13.2%	16.9%	-.%	15.9%	
<i>Value Added</i>		-0.6%	0.0%	-2.9%	-.%	-3.6%	
<i>Performance Objective</i>		3.5%	14.7%	18.4%	-.%	17.4%	
<i>Value Added</i>		-1.0%	-1.5%	-4.4%	-.%	-5.1%	
Geewax Terker	<b>0.5</b>	7.4%	14.3%	15.7%	2.9%	0.2%	6/98
<i>Custom Benchmark</i>		3.0%	11.8%	13.1%	1.1%	-0.2%	
<i>Value Added</i>		4.4%	2.5%	2.6%	1.8%	0.4%	
<i>Performance Objective</i>		3.3%	13.0%	14.4%	2.3%	1.0%	
<i>Value Added</i>		4.1%	1.3%	1.3%	0.6%	-0.8%	
Stux (MDP)	<b>0.2</b>	4.4%	12.8%	-.%	-.%	9.4%	3/04
<i>Custom Benchmark</i>		4.5%	13.2%	-.%	-.%	10.2%	
<i>Value Added</i>		-0.1%	-0.4%	-.%	-.%	-0.8%	
<i>Performance Objective</i>		4.9%	14.7%	-.%	-.%	11.7%	
<i>Value Added</i>		-0.5%	-1.9%	-.%	-.%	-2.3%	
Franklin Advisers	<b>0.6</b>	3.6%	7.5%	14.9%	-.%	14.6%	9/02
<i>Custom Benchmark</i>		5.6%	15.4%	18.3%	-.%	17.3%	
<i>Value Added</i>		-2.0%	-7.9%	-3.4%	-.%	-2.7%	
<i>Performance Objective</i>		5.9%	16.7%	19.6%	-.%	18.5%	
<i>Value Added</i>		-2.3%	-9.2%	-4.7%	-.%	-3.9%	
Rigel - Large Growth (MDP)	<b>0.2</b>	3.0%	16.3%	-.%	-.%	12.1%	12/03
<i>Custom Benchmark</i>		3.1%	13.2%	-.%	-.%	6.6%	
<i>Value Added</i>		-0.1%	3.1%	-.%	-.%	5.5%	
<i>Performance Objective</i>		3.6%	15.2%	-.%	-.%	8.6%	
<i>Value Added</i>		-0.6%	1.1%	-.%	-.%	3.5%	
Rigel - Small Mid Growth (MDP)	<b>0.1</b>	14.4%	21.7%	-.%	-.%	15.0%	12/03
<i>Custom Benchmark</i>		11.8%	26.4%	-.%	-.%	15.6%	
<i>Value Added</i>		2.6%	-4.7%	-.%	-.%	-0.6%	
<i>Performance Objective</i>		12.5%	28.9%	-.%	-.%	18.1%	
<i>Value Added</i>		1.9%	-7.2%	-.%	-.%	-3.1%	



## External Manager Performance Review (continued)

### Domestic Equity – Value

Active External Mainstream Mgrs	<u>Market Value</u> 3.8	<u>Qtr</u> 5.0%	<u>1 Year</u> 13.9%	<u>3 Year</u> 19.6%	<u>5 Year</u> 5.2%	<u>Incept.</u> 4.8%	<u>Date</u> 6/98
<b>Domestic External Value</b>							
JP Morgan	<b>0.6</b>	5.1%	13.9%	22.4%	7.5%	5.3%	9/00
<i>Custom Benchmark</i>		6.2%	14.9%	22.9%	8.4%	6.1%	
<i>Value Added</i>		-1.1%	-1.0%	-0.5%	-0.9%	-0.8%	
<i>Performance Objective</i>		6.5%	16.2%	24.1%	9.6%	7.4%	
<i>Value Added</i>		-1.4%	-2.3%	-1.7%	-2.1%	-2.1%	
Denali Advisors (MDP)	<b>0.1</b>	7.4%	18.3%	24.0%	-.-%	7.0%	6/01
<i>Custom Benchmark</i>		6.2%	14.9%	22.9%	-.-%	7.2%	
<i>Value Added</i>		1.2%	3.4%	1.1%	-.-%	-0.2%	
<i>Performance Objective</i>		6.7%	16.9%	24.9%	-.-%	9.2%	
<i>Value Added</i>		0.7%	1.4%	-0.9%	-.-%	-2.2%	
Golden Capital - Large Value (MDP)	<b>0.2</b>	4.8%	12.7%	18.6%	7.9%	5.9%	12/00
<i>Custom Benchmark</i>		4.2%	11.7%	17.2%	4.0%	1.3%	
<i>Value Added</i>		0.6%	1.0%	1.4%	3.9%	4.6%	
<i>Performance Objective</i>		4.7%	13.7%	19.2%	6.0%	3.3%	
<i>Value Added</i>		0.1%	-1.0%	-0.6%	1.9%	2.6%	
Alliance Bernstein	<b>0.7</b>	3.9%	14.7%	21.8%	10.0%	12.2%	9/04
<i>Custom Benchmark</i>		7.0%	16.1%	24.7%	10.1%	8.2%	
<i>Value Added</i>		-3.1%	-1.4%	-2.9%	-0.1%	4.0%	
<i>Performance Objective</i>		7.3%	17.4%	26.0%	11.3%	9.4%	
<i>Value Added</i>		-3.4%	-2.7%	-4.2%	-1.3%	2.8%	
The Boston Company	<b>0.7</b>	6.1%	17.7%	25.3%	10.2%	8.5%	6/98
<i>Custom Benchmark</i>		6.7%	15.9%	23.6%	9.4%	7.5%	
<i>Value Added</i>		-0.6%	1.8%	1.7%	0.8%	1.0%	
<i>Performance Objective</i>		7.0%	17.2%	24.9%	10.6%	8.8%	
<i>Value Added</i>		-0.9%	0.5%	0.4%	-0.4%	-0.3%	



**External Manager Performance Review (continued)**  
**Domestic Equity – Value cont'd**

Active External Mainstream Mgrs	Market Value 3.8	Qtr 5.0%	1 Year 13.9%	3 Year 19.6%	5 Year 5.2%	Incept. 4.8%	Date 6/98
<b>Domestic External Value cont'd</b>							
Pzena	<b>0.7</b>	4.0%	15.1%	26.1%	14.9%	18.0%	9/00
<i>Custom Benchmark</i>		8.6%	18.6%	28.4%	13.6%	12.3%	
<i>Value Added</i>		-4.6%	-3.5%	-2.3%	1.3%	5.7%	
<i>Performance Objective</i>		8.9%	19.8%	29.6%	14.8%	13.6%	
<i>Value Added</i>		-4.9%	-4.7%	-3.5%	0.1%	4.4%	
Shenandoah (MDP)	<b>0.1</b>	6.7%	16.8%	25.7%	11.1%	11.1%	3/01
<i>Custom Benchmark</i>		7.6%	21.6%	26.0%	12.7%	12.7%	
<i>Value Added</i>		-0.9%	-4.8%	-0.3%	-1.6%	-1.6%	
<i>Performance Objective</i>		8.1%	23.6%	28.0%	14.7%	14.7%	
<i>Value Added</i>		-1.4%	-6.8%	-2.3%	-3.6%	-3.6%	
Smith Asset Small Cap (MDP)	<b>0.1</b>	10.9%	22.7%	-.%	-.%	19.2%	12/03
<i>Custom Benchmark</i>		13.9%	25.9%	-.%	-.%	16.5%	
<i>Value Added</i>		-3.0%	-3.2%	-.%	-.%	2.7%	
<i>Performance Objective</i>		14.6%	28.4%	-.%	-.%	19.0%	
<i>Value Added</i>		-3.7%	-5.7%	-.%	-.%	0.2%	
Timeless (MDP)	<b>0.2</b>	8.3%	15.5%	23.3%	-.%	20.0%	9/02
<i>Custom Benchmark</i>		13.9%	25.9%	29.5%	-.%	25.3%	
<i>Value Added</i>		-5.6%	-10.4%	-6.2%	-.%	-5.3%	
<i>Performance Objective</i>		14.6%	28.4%	32.0%	-.%	27.8%	
<i>Value Added</i>		-6.3%	-12.9%	-8.7%	-.%	-7.8%	



## External Manager Performance Review (continued)

### Domestic Equity – Enhanced

<b>Total Domestic Ext. Enhanced</b>	<b>Market Value 6.9</b>	<b>Qtr 5.2%</b>	<b>1 Year 13.5%</b>	<b>3 Year -.-%</b>	<b>5 Year -.-%</b>	<b>Incept. 14.2%</b>	<b>Date 9/04</b>
Atlantic Asset Management	<b>0.3</b>	3.9%	11.3%	-.-%	-.-%	6.4%	12/04
<i>Custom Benchmark</i>		4.2%	11.7%	-.-%	-.-%	7.4%	
<i>Value Added</i>		-0.3%	-0.4%	-.-%	-.-%	-1.0%	
<i>Performance Objective</i>		4.5%	12.7%	-.-%	-.-%	8.4%	
<i>Value Added</i>		-0.6%	-1.4%	-.-%	-.-%	-2.0%	
Barclays Global Investors	<b>1.1</b>	5.2%	-.-%	-.-%	-.-%	8.8%	6/05
<i>Custom Benchmark</i>		4.4%	-.-%	-.-%	-.-%	6.6%	
<i>Value Added</i>		0.8%	-.-%	-.-%	-.-%	2.2%	
<i>Performance Objective</i>		4.7%	-.-%	-.-%	-.-%	7.1%	
<i>Value Added</i>		0.5%	-.-%	-.-%	-.-%	1.7%	
Franklin Portfolio Associates	<b>0.9</b>	4.3%	12.1%	-.-%	-.-%	13.7%	9/04
<i>Custom Benchmark</i>		4.4%	12.8%	-.-%	-.-%	13.6%	
<i>Value Added</i>		-0.1%	-0.7%	-.-%	-.-%	0.1%	
<i>Performance Objective</i>		4.7%	13.8%	-.-%	-.-%	14.6%	
<i>Value Added</i>		-0.4%	-1.7%	-.-%	-.-%	-0.9%	
Goldman Sachs Enhanced	<b>0.5</b>	12.2%	23.6%	-.-%	-.-%	23.6%	3/05
<i>Custom Benchmark</i>		14.1%	25.8%	-.-%	-.-%	25.8%	
<i>Value Added</i>		-1.9%	-2.2%	-.-%	-.-%	-2.2%	
<i>Performance Objective</i>		14.5%	27.5%	-.-%	-.-%	27.5%	
<i>Value Added</i>		-2.3%	-3.9%	-.-%	-.-%	-3.9%	
INTECH	<b>1.3</b>	4.5%	13.3%	-.-%	-.-%	15.4%	9/04
<i>Custom Benchmark</i>		4.4%	12.8%	-.-%	-.-%	13.6%	
<i>Value Added</i>		0.1%	0.5%	-.-%	-.-%	1.8%	
<i>Performance Objective</i>		4.7%	13.8%	-.-%	-.-%	14.6%	
<i>Value Added</i>		-0.2%	-0.5%	-.-%	-.-%	0.8%	
Quantitative Management Associates	<b>0.9</b>	4.8%	12.1%	-.-%	-.-%	13.6%	9/04
<i>Custom Benchmark</i>		4.3%	11.5%	-.-%	-.-%	12.2%	
<i>Value Added</i>		0.5%	0.6%	-.-%	-.-%	1.4%	
<i>Performance Objective</i>		4.5%	12.5%	-.-%	-.-%	13.2%	
<i>Value Added</i>		0.3%	-0.4%	-.-%	-.-%	0.4%	
Smith Breeden	<b>0.6</b>	4.6%	11.9%	-.-%	-.-%	7.4%	12/04
<i>Custom Benchmark</i>		4.2%	11.7%	-.-%	-.-%	7.4%	
<i>Value Added</i>		0.4%	0.2%	-.-%	-.-%	0.0%	
<i>Performance Objective</i>		4.5%	12.7%	-.-%	-.-%	8.4%	
<i>Value Added</i>		0.1%	-0.8%	-.-%	-.-%	-1.0%	





**External Manager Performance Review (continued)**  
**Domestic Equity – Enhanced cont'd**

	<b>Market Value</b>	<b><u>Qtr</u></b>	<b><u>1 Year</u></b>	<b><u>3 Year</u></b>	<b><u>5 Year</u></b>	<b><u>Incept.</u></b>	<b><u>Date</u></b>
<b>Total Domestic Ext. Enhanced</b>	<b>6.9</b>	<b>5.2%</b>	<b>13.5%</b>	<b>-.-%</b>	<b>-.-%</b>	<b>14.2%</b>	<b>9/04</b>
T. Rowe Price	<b>0.6</b>	-.-%	-.-%	-.-%	-.-%	-.-%	3/06
Custom Benchmark		-.-%	-.-%	-.-%	-.-%	-.-%	
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%	
Performance Objective		-.-%	-.-%	-.-%	-.-%	-.-%	
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%	
WAMCO	<b>0.6</b>	4.4%	12.0%	-.-%	-.-%	12.7%	9/04
Custom Benchmark		4.2%	11.7%	-.-%	-.-%	12.5%	
Value Added		0.2%	0.3%	-.-%	-.-%	0.2%	
Performance Objective		4.5%	12.7%	-.-%	-.-%	13.5%	
Value Added		-0.1%	-0.7%	-.-%	-.-%	-0.8%	



## External Manager Performance Review (continued)

### Domestic Equity – MDP <sup>29</sup>

	<b>Market Value</b>	<b>Qtr</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>Incept.</b>	<b>Date</b>
<b>Total Domestic MDP</b>	<b>1.9</b>	<b>6.3%</b>	<b>16.5%</b>	<b>21.1%</b>	<b>8.2%</b>	<b>4.2%</b>	<b>12/00</b>
<b>Total Domestic MDP Ventures</b>	<b>0.0</b>	<b>0.0%</b>	<b>82.6%</b>	<b>43.2%</b>	<b>21.7%</b>	<b>21.7%</b>	<b>3/01</b>
Golden Capital - Large Core (MDP)	<b>0.1</b>	4.7%	12.7%	18.3%	6.0%	3.2%	12/00
<i>Custom Benchmark</i>		4.2%	11.7%	17.2%	4.0%	1.3%	
<i>Value Added</i>		0.5%	1.0%	1.1%	2.0%	1.9%	
<i>Performance Objective</i>		4.5%	12.7%	18.2%	5.0%	2.3%	
<i>Value Added</i>		0.2%	0.0%	0.1%	1.0%	0.9%	
Golden Capital - Small Core (MDP)	<b>0.1</b>	12.7%	23.2%	28.6%	15.7%	13.1%	12/00
<i>Custom Benchmark</i>		12.8%	24.1%	30.0%	15.0%	12.8%	
<i>Value Added</i>		-0.1%	-0.9%	-1.4%	0.7%	0.3%	
<i>Performance Objective</i>		13.1%	25.1%	31.0%	16.0%	13.8%	
<i>Value Added</i>		-0.4%	-1.9%	-2.4%	-0.3%	-0.7%	
Rigel - Large Growth (MDP)	<b>0.2</b>	3.0%	16.3%	-.%	-.%	12.1%	12/03
<i>Custom Benchmark</i>		3.1%	13.2%	-.%	-.%	6.6%	
<i>Value Added</i>		-0.1%	3.1%	-.%	-.%	5.5%	
<i>Performance Objective</i>		3.6%	15.2%	-.%	-.%	8.6%	
<i>Value Added</i>		-0.6%	1.1%	-.%	-.%	3.5%	
Smith Graham (MDP)	<b>0.2</b>	2.5%	13.2%	14.0%	-.%	12.3%	9/02
<i>Custom Benchmark</i>		3.1%	13.2%	16.9%	-.%	15.9%	
<i>Value Added</i>		-0.6%	0.0%	-2.9%	-.%	-3.6%	
<i>Performance Objective</i>		3.5%	14.7%	18.4%	-.%	17.4%	
<i>Value Added</i>		-1.0%	-1.5%	-4.4%	-.%	-5.1%	
Stux (MDP)	<b>0.2</b>	4.4%	12.8%	-.%	-.%	9.4%	3/04
<i>Custom Benchmark</i>		4.5%	13.2%	-.%	-.%	10.2%	
<i>Value Added</i>		-0.1%	-0.4%	-.%	-.%	-0.8%	
<i>Performance Objective</i>		4.9%	14.7%	-.%	-.%	11.7%	
<i>Value Added</i>		-0.5%	-1.9%	-.%	-.%	-2.3%	
Rigel - Small Mid Growth (MDP)	<b>0.1</b>	14.4%	21.7%	-.%	-.%	15.0%	12/03
<i>Custom Benchmark</i>		11.8%	26.4%	-.%	-.%	15.6%	
<i>Value Added</i>		2.6%	-4.7%	-.%	-.%	-0.6%	
<i>Performance Objective</i>		12.5%	28.9%	-.%	-.%	18.1%	
<i>Value Added</i>		1.9%	-7.2%	-.%	-.%	-3.1%	

<sup>29</sup> The MDP managers are listed by style elsewhere in this appendix.



## External Manager Performance Review (continued)

### Domestic Equity – MDP cont'd<sup>31</sup>

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
<b>Total Domestic MDP</b>	<b>1.9</b>	<b>6.3%</b>	<b>16.5%</b>	<b>21.1%</b>	<b>8.2%</b>	<b>4.2%</b>	<b>12/00</b>
<b>Total Domestic MDP Ventures</b>	<b>0.0</b>	<b>0.0%</b>	<b>82.6%</b>	<b>43.2%</b>	<b>21.7%</b>	<b>21.7%</b>	<b>3/01</b>
Denali Advisors (MDP)	<b>0.1</b>	7.4%	18.3%	24.0%	-.%	7.0%	6/01
<i>Custom Benchmark</i>		6.2%	14.9%	22.9%	-.%	7.2%	
<i>Value Added</i>		1.2%	3.4%	1.1%	-.%	-0.2%	
<i>Performance Objective</i>		6.7%	16.9%	24.9%	-.%	9.2%	
<i>Value Added</i>		0.7%	1.4%	-0.9%	-.%	-2.2%	
Golden Capital - Large Value (MDP)	<b>0.2</b>	4.8%	12.7%	18.6%	7.9%	5.9%	12/00
<i>Custom Benchmark</i>		4.2%	11.7%	17.2%	4.0%	1.3%	
<i>Value Added</i>		0.6%	1.0%	1.4%	3.9%	4.6%	
<i>Performance Objective</i>		4.7%	13.7%	19.2%	6.0%	3.3%	
<i>Value Added</i>		0.1%	-1.0%	-0.6%	1.9%	2.6%	
Shenandoah (MDP)	<b>0.1</b>	6.7%	16.8%	25.7%	11.1%	11.1%	3/01
<i>Custom Benchmark</i>		7.6%	21.6%	26.0%	12.7%	12.7%	
<i>Value Added</i>		-0.9%	-4.8%	-0.3%	-1.6%	-1.6%	
<i>Performance Objective</i>		8.1%	23.6%	28.0%	14.7%	14.7%	
<i>Value Added</i>		-1.4%	-6.8%	-2.3%	-3.6%	-3.6%	
Shenandoah SMID (MDP)	<b>0.0</b>	8.4%	-.%	-.%	-.%	8.4%	12/05
<i>Custom Benchmark</i>		11.0%	-.%	-.%	-.%	11.0%	
<i>Value Added</i>		-2.6%	-.%	-.%	-.%	-2.6%	
<i>Performance Objective</i>		11.6%	-.%	-.%	-.%	11.6%	
<i>Value Added</i>		-3.2%	-.%	-.%	-.%	-3.2%	
Smith Asset Small Cap (MDP)	<b>0.1</b>	10.9%	22.7%	-.%	-.%	19.2%	12/03
<i>Custom Benchmark</i>		13.9%	25.9%	-.%	-.%	16.5%	
<i>Value Added</i>		-3.0%	-3.2%	-.%	-.%	2.7%	
<i>Performance Objective</i>		14.6%	28.4%	-.%	-.%	19.0%	
<i>Value Added</i>		-3.7%	-5.7%	-.%	-.%	0.2%	
Timeless (MDP)	<b>0.2</b>	8.3%	15.5%	23.3%	-.%	20.0%	9/02
<i>Custom Benchmark</i>		13.9%	25.9%	29.5%	-.%	25.3%	
<i>Value Added</i>		-5.6%	-10.4%	-6.2%	-.%	-5.3%	
<i>Performance Objective</i>		14.6%	28.4%	32.0%	-.%	27.8%	
<i>Value Added</i>		-6.3%	-12.9%	-8.7%	-.%	-7.8%	

<sup>31</sup> The MDP managers are listed by style elsewhere in this appendix.

## External Manager Performance Review (continued)

### Domestic Equity – Corporate Governance

	<b>Market Value</b>	<b><u>Qtr</u></b>	<b><u>1 Year</u></b>	<b><u>3 Year</u></b>	<b><u>5 Year</u></b>	<b><u>Incept.</u></b>	<b><u>Date</u></b>
<b>Total Domestic Corporate Governance</b>	<b>1.9</b>	<b>1.9%</b>	<b>14.8%</b>	<b>27.3%</b>	<b>16.0%</b>	<b>21.9%</b>	<b>12/98</b>
Internal Relational	<b>0.4</b>	2.1%	22.4%	35.3%	-.-%	28.9%	12/02
<i>Custom Benchmark</i>		5.2%	14.3%	18.9%	-.-%		
<i>Value Added</i>		-3.1%	8.1%	16.4%	-.-%		
New Mountain Capital	<b>0.2</b>	3.2%	-.-%	-.-%	-.-%	3.2%	12/05
<i>Custom Benchmark</i>		4.2%	-.-%	-.-%	-.-%		
<i>Value Added</i>		-1.0%	-.-%	-.-%	-.-%		
Relational Investors	<b>1.2</b>	0.6%	12.0%	26.0%	15.1%	21.2%	12/98
<i>Custom Benchmark</i>		4.2%	11.7%	17.2%	4.0%		
<i>Value Added</i>		-3.6%	0.3%	8.8%	11.1%		
Shamrock Partners	<b>0.1</b>	15.2%	46.6%	-.-%	-.-%	46.6%	3/05
<i>Custom Benchmark</i>		13.9%	25.9%	-.-%	-.-%		
<i>Value Added</i>		1.3%	20.7%	-.-%	-.-%		
Blum Strategic Partners III	<b>0.1</b>	4.3%	-.-%	-.-%	-.-%	8.8%	9/05
<i>Custom Benchmark</i>		1.9%	-.-%	-.-%	-.-%		
<i>Value Added</i>		2.4%	-.-%	-.-%	-.-%		

### RM ARS–Fund of Funds

	<b>Market Value</b>	<b><u>Qtr</u></b>	<b><u>1 Year</u></b>	<b><u>3 Year</u></b>	<b><u>5 Year</u></b>
<b>Total RM ARS Program*</b>	<b>2.3</b>	<b>5.7%</b>	<b>14.0%</b>	<b>12.1%</b>	<b>-.-%</b>
KBC Asian Fund of Funds	<b>0.1</b>	-0.2%	-.-%	-.-%	-.-%
SPARX Asian Fund of Funds	<b>0.1</b>	-.-%	-.-%	-.-%	-.-%
Vision Asian Fund of Funds	<b>0.1</b>	4.0%	-.-%	-.-%	-.-%



## External Manager Performance Review (continued)

### Domestic Equity – Environmental

	Market Value	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
<b>Total Environmental</b>	<b>0.3</b>	<b>2.7%</b>	<b>10.9%</b>	<b>-.-%</b>	<b>-.-%</b>	<b>10.9%</b>	<b>3/05</b>
Barclays Ishares KLD	<b>0.1</b>	3.7%	11.1%	-.-%	-.-%	11.1%	3/05
Custom Benchmark		4.5%	13.6%	-.-%	-.-%	13.6%	
Value Added		-0.8%	-2.5%	-.-%	-.-%	-2.5%	
New Amsterdam Partners	<b>0.1</b>	-.-%	-.-%	-.-%	-.-%	-.-%	3/06
Custom Benchmark		-.-%	-.-%	-.-%	-.-%	-.-%	
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%	
AXARosenberg	<b>0.1</b>	-.-%	-.-%	-.-%	-.-%	-.-%	3/06
Custom Benchmark		-.-%	-.-%	-.-%	-.-%	-.-%	
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%	



## External Manager Performance Review (continued)

### International Equity – Core ACWI

<b>Int'l Active Mainstream</b>	<b>Market Value 9.0</b>	<b>Qtr 10.6%</b>	<b>1 Year 29.2%</b>	<b>3 Year 32.2%</b>	<b>5 Year 10.4%</b>	<b>Incept. 7.6%</b>	<b>Date 6/89</b>
<b>Int'l External Core</b>							
Arrowstreet (Mainstream)	<b>0.9</b>	13.5%	31.9%	33.6%	-.%	33.6%	3/03
<i>Custom Benchmark</i>		9.6%	27.5%	33.0%	-.%	33.0%	
<i>Value Added</i>		3.9%	4.4%	0.6%	-.%	0.6%	
<i>Performance Objective</i>		10.1%	29.5%	35.0%	-.%	35.0%	
<i>Value Added</i>		3.4%	2.4%	-1.4%	-.%	-1.4%	
Arrowstreet (MDP)	<b>0.2</b>	13.5%	32.0%	34.2%	14.3%	7.8%	6/00
<i>Custom Benchmark</i>		9.6%	27.5%	33.0%	11.3%	4.7%	
<i>Value Added</i>		3.9%	4.5%	1.2%	3.0%	3.1%	
<i>Performance Objective</i>		10.1%	29.5%	35.0%	13.3%	6.7%	
<i>Value Added</i>		3.4%	2.5%	-0.8%	1.0%	1.1%	
Barclays	<b>1.2</b>	10.1%	-.%	-.%	-.%	14.0%	9/05
<i>Custom Benchmark</i>		9.6%	-.%	-.%	-.%	13.8%	
<i>Value Added</i>		0.5%	-.%	-.%	-.%	0.2%	
<i>Performance Objective</i>		9.9%	-.%	-.%	-.%	14.5%	
<i>Value Added</i>		0.2%	-.%	-.%	-.%	-0.5%	
Robeco USA	<b>0.5</b>	10.5%	30.5%	32.3%	-.%	15.6%	9/01
<i>Custom Benchmark</i>		9.6%	27.5%	33.0%	-.%	16.7%	
<i>Value Added</i>		0.9%	3.0%	-0.7%	-.%	-1.1%	
<i>Performance Objective</i>		10.1%	29.5%	35.0%	-.%	18.7%	
<i>Value Added</i>		0.4%	1.0%	-2.7%	-.%	-3.1%	
Acadian Asset Management	<b>1.1</b>	10.4%	-.%	-.%	-.%	10.4%	12/05
<i>Custom Benchmark</i>		9.6%	-.%	-.%	-.%	9.6%	
<i>Value Added</i>		0.8%	-.%	-.%	-.%	0.8%	
<i>Performance Objective</i>		10.1%	-.%	-.%	-.%	10.1%	
<i>Value Added</i>		0.3%	-.%	-.%	-.%	0.3%	
AQR Capital Management	<b>1.0</b>	10.0%	-.%	-.%	-.%	10.0%	12/05
<i>Custom Benchmark</i>		9.6%	-.%	-.%	-.%	9.6%	
<i>Value Added</i>		0.4%	-.%	-.%	-.%	0.4%	
<i>Performance Objective</i>		10.1%	-.%	-.%	-.%	10.1%	
<i>Value Added</i>		-0.1%	-.%	-.%	-.%	-0.1%	
QMA International	<b>0.8</b>	-.%	-.%	-.%	-.%	-.%	3/06
<i>Custom Benchmark</i>		-.%	-.%	-.%	-.%	-.%	
<i>Value Added</i>		-.%	-.%	-.%	-.%	-.%	
<i>Performance Objective</i>		-.%	-.%	-.%	-.%	-.%	
<i>Value Added</i>		-.%	-.%	-.%	-.%	-.%	
Baring Int'l Investments	<b>0.9</b>	9.8%	-.%	-.%	-.%	9.8%	12/05
<i>Custom Benchmark</i>		9.6%	-.%	-.%	-.%	9.6%	
<i>Value Added</i>		0.2%	-.%	-.%	-.%	0.2%	
<i>Performance Objective</i>		9.9%	-.%	-.%	-.%	9.9%	
<i>Value Added</i>		-0.1%	-.%	-.%	-.%	-0.1%	



## External Manager Performance Review (continued)

### International Equity – Core Europe

	<b>Market Value</b>	<b>Qtr</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>Incept.</b>	<b>Date</b>
<b>Int'l Active Mainstream</b>	<b>9.0</b>	<b>10.6%</b>	<b>29.2%</b>	<b>32.2%</b>	<b>10.4%</b>	<b>7.6%</b>	<b>6/89</b>
<b>Int'l External Core Europe</b>							
AXA Rosenberg	<b>1.2</b>	11.9%	26.5%	34.9%	11.8%	11.8%	3/01
Custom Benchmark		10.9%	21.5%	31.3%	9.8%	9.8%	
Value Added		1.0%	5.0%	3.6%	2.0%	2.0%	
Performance Objective		11.4%	23.5%	33.3%	11.8%	11.8%	
Value Added		0.5%	3.0%	1.6%	0.0%	0.0%	
Capital Guardian	<b>0.6</b>	10.6%	20.9%	30.4%	10.0%	10.0%	3/01
Custom Benchmark		10.9%	21.5%	31.3%	9.8%	9.8%	
Value Added		-0.3%	-0.6%	-0.9%	0.2%	0.2%	
Performance Objective		11.4%	23.5%	33.3%	11.8%	11.8%	
Value Added		-0.8%	-2.6%	-2.9%	-1.8%	-1.8%	

### International Equity – Environmental

	<b>Market Value</b>	<b>Qtr</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>Incept.</b>	<b>Date</b>
<b>Int'l Environmental</b>	<b>0.1</b>	<b>-.-%</b>	<b>-.-%</b>	<b>-.-%</b>	<b>-.-%</b>	<b>-.-%</b>	<b>3/06</b>
<b>Int'l Environmental</b>							
SSgA Environmental	<b>0.1</b>	-.-%	-.-%	-.-%	-.-%	-.-%	3/06
Custom Benchmark		-.-%	-.-%	-.-%	-.-%	-.-%	
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%	



**External Manager Performance Review (continued)**  
**International Equity – Growth & Value**

<b>Int'l Active Mainstream</b>	<b>Market Value 9.0</b>	<b>Qtr 10.6%</b>	<b>1 Year 29.2%</b>	<b>3 Year 32.2%</b>	<b>5 Year 10.4%</b>	<b>Incept. 7.6%</b>	<b>Date 6/89</b>
<b>Int'l External Growth</b>							
Alliance Large Cap Growth	<b>0.5</b>	8.3%	-.-%	-.-%	-.-%	14.9%	9/05
Custom Benchmark		9.6%	-.-%	-.-%	-.-%	14.5%	
Value Added		-1.3%	-.-%	-.-%	-.-%	0.4%	
Performance Objective		10.1%	-.-%	-.-%	-.-%	15.5%	
Value Added		-1.8%	-.-%	-.-%	-.-%	-0.6%	
New Star Institutional Managers	<b>0.6</b>	8.4%	-.-%	-.-%	-.-%	11.2%	9/05
Custom Benchmark		9.6%	-.-%	-.-%	-.-%	14.5%	
Value Added		-1.2%	-.-%	-.-%	-.-%	-3.3%	
Performance Objective		10.1%	-.-%	-.-%	-.-%	15.5%	
Value Added		-1.7%	-.-%	-.-%	-.-%	-4.3%	
Baillie Gifford	<b>1.0</b>	11.4%	37.3%	33.6%	-.-%	12.8%	6/01
Custom Benchmark		9.6%	27.5%	33.0%	-.-%	12.0%	
Value Added		1.8%	9.8%	0.6%	-.-%	0.8%	
Performance Objective		10.1%	29.5%	35.0%	-.-%	14.0%	
Value Added		1.3%	7.8%	-1.4%	-.-%	-1.2%	





## External Manager Performance Review (continued)

### International Equity – Growth & Value cont'd

<b>Int'l Active Mainstream</b>	<b>Market Value 9.0</b>	<b>Qtr 10.6%</b>	<b>1 Year 29.2%</b>	<b>3 Year 32.2%</b>	<b>5 Year 10.4%</b>	<b>Incept. 7.6%</b>	<b>Date 6/89</b>
<b>Int'l External Value ACWI</b>							
Grantham, Mayo, Van Otterloo	<b>0.9</b>	9.8%	24.8%	32.5%	-.%	15.4%	6/01
Custom Benchmark		9.6%	27.5%	33.0%	-.%	12.0%	
Value Added		0.2%	-2.7%	-0.5%	-.%	3.4%	
Performance Objective		10.3%	30.0%	35.5%	-.%	14.4%	
Value Added		-0.5%	-5.2%	-3.0%	-.%	1.0%	
Northroad (MDP)	<b>0.1</b>	9.6%	19.6%	-.%	-.%	15.0%	12/03
Custom Benchmark		9.6%	25.5%	-.%	-.%	20.4%	
Value Added		0.0%	-5.9%	-.%	-.%	-5.4%	
Performance Objective		10.1%	27.5%	-.%	-.%	22.4%	
Value Added		-0.5%	-7.9%	-.%	-.%	-7.4%	
Pyrford (MDP)	<b>0.1</b>	6.7%	15.9%	26.7%	-.%	11.7%	12/01
Custom Benchmark		9.6%	25.5%	32.0%	-.%	15.1%	
Value Added		-2.9%	-9.6%	-5.3%	-.%	-3.4%	
Performance Objective		10.1%	27.5%	34.0%	-.%	17.1%	
Value Added		-3.4%	-11.6%	-7.3%	-.%	-5.4%	
Alliance Strategic Value	<b>0.6</b>	13.9%	-.%	-.%	-.%	19.7%	9/05
Custom Benchmark		9.6%	-.%	-.%	-.%	14.5%	
Value Added		4.3%	-.%	-.%	-.%	5.2%	
Performance Objective		10.1%	-.%	-.%	-.%	15.5%	
Value Added		3.8%	-.%	-.%	-.%	4.2%	
<b>Int'l External Value Pacific</b>							
Nomura	<b>1.1</b>	7.7%	34.7%	33.7%	13.4%	5.3%	9/89
Custom Benchmark		6.8%	32.5%	32.9%	11.0%	1.0%	
Value Added		0.9%	2.2%	0.8%	2.4%	4.3%	
Performance Objective		7.3%	34.5%	34.9%	13.0%	3.0%	
Value Added		0.4%	0.2%	-1.2%	0.4%	2.3%	



**External Manager Performance Review (continued)**  
**International Equity – MDP<sup>32</sup>**

	<b>Market Value</b>	<b>Qtr</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>Incept.</b>	<b>Date</b>
<b>Total Int'l MDP</b>	<b>0.4</b>	<b>9.8%</b>	<b>21.3%</b>	<b>27.6%</b>	<b>8.3%</b>	<b>2.8%</b>	<b>6/00</b>
<b>Total Int'l MDP Ventures</b>	<b>0.0</b>	<b>0.0%</b>	<b>70.7%</b>	<b>55.5%</b>	<b>28.2%</b>	<b>21.9%</b>	<b>6/00</b>
Arrowstreet (MDP)	<b>0.2</b>	13.5%	32.0%	34.2%	14.3%	7.8%	6/00
<i>Custom Benchmark</i>		9.6%	27.5%	33.0%	11.3%	4.7%	
<i>Value Added</i>		3.9%	4.5%	1.2%	3.0%	3.1%	
<i>Performance Objective</i>		10.1%	29.5%	35.0%	13.3%	6.7%	
<i>Value Added</i>		3.4%	2.5%	-0.8%	1.0%	1.1%	
Northroad (MDP)	<b>0.1</b>	9.6%	19.6%	-.-%	-.-%	15.0%	12/03
<i>Custom Benchmark</i>		9.6%	25.5%	-.-%	-.-%	20.4%	
<i>Value Added</i>		0.0%	-5.9%	-.-%	-.-%	-5.4%	
<i>Performance Objective</i>		10.1%	27.5%	-.-%	-.-%	22.4%	
<i>Value Added</i>		-0.5%	-7.9%	-.-%	-.-%	-7.4%	
Pyrford (MDP)	<b>0.1</b>	6.7%	15.9%	26.7%	-.-%	11.7%	12/01
<i>Custom Benchmark</i>		9.6%	25.5%	32.0%	-.-%	15.1%	
<i>Value Added</i>		-2.9%	-9.6%	-5.3%	-.-%	-3.4%	
<i>Performance Objective</i>		10.1%	27.5%	34.0%	-.-%	17.1%	
<i>Value Added</i>		-3.4%	-11.6%	-7.3%	-.-%	-5.4%	

<sup>32</sup> The MDP managers are also listed by style elsewhere in this appendix.

## International Equity – Emerging Markets

<b>Int'l Emerging Markets</b>	<b>Market Value 4.9</b>	<b>Qtr 10.5%</b>	<b>1 Year 46.2%</b>	<b>3 Year 50.1%</b>	<b>5 Year -.-%</b>	<b>Incept. 42.3%</b>	<b>Date 9/02</b>
AllianceBernstein	<b>1.6</b>	12.5%	48.6%	55.5%	-.-%	37.9%	9/02
<i>Custom Benchmark</i>		10.3%	46.4%	45.8%	-.-%	28.7%	
<i>Value Added</i>		2.2%	2.2%	9.7%	-.-%	9.2%	
<i>Performance Objective</i>		10.9%	48.9%	48.3%	-.-%	31.2%	
<i>Value Added</i>		1.6%	-0.3%	7.2%	-.-%	6.7%	
DFA	<b>1.6</b>	8.0%	40.8%	47.8%	-.-%	30.3%	9/02
<i>Custom Benchmark</i>		10.3%	46.4%	45.8%	-.-%	28.7%	
<i>Value Added</i>		-2.3%	-5.6%	2.0%	-.-%	1.6%	
<i>Performance Objective</i>		10.8%	48.4%	47.8%	-.-%	30.7%	
<i>Value Added</i>		-2.8%	-7.6%	0.0%	-.-%	-0.4%	
Genesis	<b>1.6</b>	11.2%	50.1%	46.8%	-.-%	28.0%	9/02
<i>Custom Benchmark</i>		10.3%	46.4%	45.8%	-.-%	28.7%	
<i>Value Added</i>		0.9%	3.7%	1.0%	-.-%	-0.7%	
<i>Performance Objective</i>		10.9%	48.9%	48.3%	-.-%	31.2%	
<i>Value Added</i>		0.3%	1.2%	-1.5%	-.-%	-3.2%	



**External Manager Performance Review (continued)**  
**International Equity – Corporate Governance**

	<b>Market Value</b>	<b>Qtr</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>Incept.</b>	<b>Date</b>
<b>Total Int'l Corporate Governance</b>	<b>2.4</b>	<b>8.1%</b>	<b>33.0%</b>	<b>43.6%</b>	<b>17.4%</b>	<b>12.6%</b>	<b>12/98</b>
Active Value	<b>0.2</b>	21.5%	62.9%	49.9%	21.6%	13.8%	9/98
Custom Benchmark		12.0%	32.6%	44.9%	18.8%		
Value Added		9.5%	30.3%	5.0%	2.8%		
Active Value Co-Investment	<b>0.1</b>	1.5%	-15.2%	46.9%	18.2%	13.7%	6/00
Custom Benchmark		12.0%	32.6%	44.9%	18.8%		
Value Added		-10.5%	-47.8%	2.0%	-0.6%		
Hermes Focus	<b>0.3</b>	7.3%	4.4%	30.7%	10.2%	6.4%	12/99
Custom Benchmark		8.1%	21.4%	30.0%	10.7%		
Value Added		-0.8%	-17.0%	0.7%	-0.5%		
Hermes Europe	<b>0.2</b>	22.1%	35.2%	-.%	-.%	34.4%	9/03
Custom Benchmark		12.5%	24.9%	-.%	-.%		
Value Added		9.6%	10.3%	-.%	-.%		
Knight Vinke	<b>0.3</b>	17.9%	48.5%	-.%	-.%	32.5%	12/03
Custom Benchmark		11.4%	22.9%	-.%	-.%		
Value Added		6.5%	25.6%	-.%	-.%		
SPARX Value Creation	<b>0.7</b>	1.3%	29.9%	42.0%	-.%	42.0%	3/03
Custom Benchmark		4.8%	46.2%	30.8%	-.%		
Value Added		-3.5%	-16.3%	11.2%	-.%		
Taiyo Fund	<b>0.6</b>	6.9%	54.7%	-.%	-.%	34.2%	9/03
Custom Benchmark		4.8%	46.2%	-.%	-.%		
Value Added		2.1%	8.5%	-.%	-.%		



## External Manager Performance Review (continued)

### Fixed Income – High Yield

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
<b>Total Fixed Income</b>	<b>50.1</b>	<b>-1.1%</b>	<b>2.3%</b>	<b>5.8%</b>	<b>7.1%</b>	<b>7.2%</b>
<i>Fixed Income Policy Index</i>		-1.5%	1.2%	4.1%	6.5%	6.7%
<b>External High Yield</b>	<b>1.3</b>	<b>3.4%</b>	<b>8.7%</b>	<b>14.0%</b>	<b>-.-%</b>	<b>-.-%</b>
Highland Capital Distressed Fund	<b>0.2</b>	5.6%	17.2%	28.7%	-.-%	-.-%
<i>Custom Benchmark</i>		2.8%	6.6%	11.5%	-.-%	-.-%
<i>Value Added</i>		2.8%	10.6%	17.2%	-.-%	-.-%
ING Ghent	<b>0.3</b>	1.9%	3.9%	10.5%	-.-%	-.-%
<i>Custom Benchmark</i>		2.8%	6.6%	11.5%	-.-%	-.-%
<i>Value Added</i>		-0.9%	-2.7%	-1.0%	-.-%	-.-%
Nomura	<b>0.5</b>	3.8%	7.4%	12.3%	-.-%	-.-%
<i>Custom Benchmark</i>		2.8%	6.6%	11.5%	-.-%	-.-%
<i>Value Added</i>		1.0%	0.8%	0.8%	-.-%	-.-%
PIMCO	<b>0.5</b>	3.2%	7.4%	12.1%	-.-%	-.-%
<i>Custom Benchmark</i>		2.8%	6.6%	11.5%	-.-%	-.-%
<i>Value Added</i>		0.4%	0.8%	0.6%	-.-%	-.-%

### Fixed Income – MDP

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
<b>Domestic Fixed Income MDP</b>	<b>0.2</b>	<b>-0.5%</b>	<b>1.8%</b>	<b>3.9%</b>	<b>-.-%</b>	<b>6.5%</b>	
LM Capital	0.2	-0.5%	1.8%	3.4%	-.-%	5.9%	6/02
<i>Custom Benchmark</i>		-0.7%	2.4%	3.0%	-.-%	5.1%	
<i>Value Added</i>		0.2%	-0.6%	0.4%	-.-%	0.8%	
<i>Performance Objective</i>		-0.4%	3.4%	4.0%	-.-%	6.1%	
<i>Value Added</i>		-0.1%	-1.6%	-0.6%	-.-%	-0.2%	



**External Manager Performance Review (continued)**  
**Fixed Income – External International**

	<b>Market Value</b>	<b>Qtr</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>10 Year</b>
<b>Total Fixed Income</b>	<b>50.1</b>	<b>-1.1%</b>	<b>2.3%</b>	<b>5.8%</b>	<b>7.1%</b>	<b>7.2%</b>
<i>Fixed Income Policy Index</i>		<b>-1.5%</b>	<b>1.2%</b>	<b>4.1%</b>	<b>6.5%</b>	<b>6.7%</b>
<b>International Fixed Income</b>	<b>6.1</b>	<b>0.2%</b>	<b>-5.4%</b>	<b>6.0%</b>	<b>8.5%</b>	<b>5.1%</b>
Baring	<b>1.0</b>	0.3%	-5.6%	5.5%	8.3%	5.7%
<i>Custom Benchmark</i>		0.1%	-5.9%	5.3%	8.4%	4.6%
<i>Value Added</i>		0.2%	0.3%	0.2%	-0.1%	1.1%
<i>Performance Objective</i>		0.5%	-4.4%	6.8%	9.9%	6.1%
<i>Value Added</i>		-0.2%	-1.2%	-1.3%	-1.6%	-0.4%
Bridgewater	<b>1.2</b>	0.6%	-5.6%	5.9%	9.1%	-.-%
<i>Custom Benchmark</i>		0.1%	-5.9%	5.3%	8.4%	-.-%
<i>Value Added</i>		0.5%	0.3%	0.6%	0.7%	-.-%
<i>Performance Objective</i>		0.5%	-4.4%	6.8%	9.9%	-.-%
<i>Value Added</i>		0.1%	-1.2%	-0.9%	-0.8%	-.-%
Julius Baer	<b>1.2</b>	-0.6%	-5.7%	6.1%	8.2%	5.3%
<i>Custom Benchmark</i>		0.1%	-5.9%	5.3%	8.4%	4.6%
<i>Value Added</i>		-0.7%	0.2%	0.8%	-0.2%	0.7%
<i>Performance Objective</i>		0.5%	-4.4%	6.8%	9.9%	6.1%
<i>Value Added</i>		-1.1%	-1.3%	-0.7%	-1.7%	-0.8%
Rogge	<b>1.4</b>	0.3%	-5.0%	6.3%	8.5%	-.-%
<i>Custom Benchmark</i>		0.1%	-5.9%	5.3%	8.4%	-.-%
<i>Value Added</i>		0.2%	0.9%	1.0%	0.1%	-.-%
<i>Performance Objective</i>		0.5%	-4.4%	6.8%	9.9%	-.-%
<i>Value Added</i>		-0.2%	-0.6%	-0.5%	-1.4%	-.-%
Western	<b>1.2</b>	0.4%	-4.9%	6.2%	8.7%	-.-%
<i>Custom Benchmark</i>		0.1%	-5.9%	5.3%	8.4%	-.-%
<i>Value Added</i>		0.3%	1.0%	0.9%	0.3%	-.-%
<i>Performance Objective</i>		0.5%	-4.4%	6.8%	9.9%	-.-%
<i>Value Added</i>		-0.1%	-0.5%	-0.6%	-1.2%	-.-%



**External Manager Performance Review (continued)**  
**Fixed Income - Special Investments**

	<b>Market Value</b>	<b>Qtr</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>10 Year</b>
<b>Special Investments</b>	<b>0.8</b>	<b>0.2%</b>	<b>3.5%</b>	<b>3.8%</b>	<b>5.7%</b>	<b>6.0%</b>
AFL-CIO HIT	0.1	1.2%	3.5%	3.2%	4.9%	6.3%
Equitable CCMF	0.0	2.3%	9.4%	8.3%	7.7%	8.9%
MHLP-BRS	0.7	0.1%	3.3%	3.7%	-.-%	-.-%
U.L.L.I. Co.	0.0	1.5%	6.2%	5.9%	7.7%	8.8%



## Manager Monitoring

Wilshire will rigorously monitor each of CalPERS' externally-managed investment managers and provide quarterly updates and issues in the Executive Summary.

### Domestic Equity

#### JP Morgan

- The manager has continued to underperform the benchmark and performance objective due to unrewarded stock selection. Recent personnel change is also cause for concern. Wilshire has held several discussions with Staff and is monitoring the manager closely.

#### Franklin Advisers

- The manager has continued to underperform the benchmark and performance objective due to unrewarded stock selection. Wilshire visited with the portfolio management team during the quarter and has reported our findings to Staff. We continue to monitor the manager closely.

### Int'l Equity

#### Capital Guardian

- The manager continues to outperform its benchmark since inception. However, recent performance has been behind the benchmark and performance objective due to unrewarded sector selection. Wilshire is closely monitoring the manager.

#### Grantham, Mayo, Van Otterloo

- The manager has underperformed its benchmark and performance objective over the one and three-year periods. Long-term performance is strong and above the performance objective. Wilshire is monitoring the manager to see if there is further deterioration in performance.

### Int'l Fixed Income

#### Baring Int'l

- Underperformance versus performance objective over the one-, three- and five-year periods. Baring has outperformed the benchmark over the 1 and 3 year time period. Wilshire is closely monitoring the manager.





## **Manager Monitoring (continued)**

### **Int'l Fixed Income Cont'd**

#### Bridgewater Associates

- High level personnel change with departure of its CEO during 2005. The CEO was not involved in the investment process.
- Bridgewater has outperformed its benchmark over all time periods.

#### Western Asset Management

- Significant organization change because of the recent merger with Legg Mason, the parent of Western Asset, and Citigroup's asset management division.
- Western has outperformed its benchmark over all time periods.

### **External High Yield**

#### ING Ghent

- Continued underperformance versus benchmark and performance objective despite improving credit profile for many high yield issuers.
- Unrewarded sector and issue selection continues to be a drag on performance.

